


**2024  
National Income Tax  
Workbook**

Chapter 7: Business Tax Issues  
PP 225 - 263



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**Chapter Topics** **P. 225**

Chapter 7 split into 2 sessions:  
**Bill**  
 > Issue 4: Employer Provided Child Care Credit  
 > Issue 5: Deduction for employer provided meals & enter.  
 > Issue 7: Qualified Commercial Clean Vehicle Credit  
**Mary Jane**  
 > Issue 1: Conditional / Contingent Debt Obligations  
 > Issue 2: Business Bad Debt Deduction  
 > Issue 3: Fringe Benefits for Small Businesses  
 > Issue 6: Marijuana and other illegal businesses

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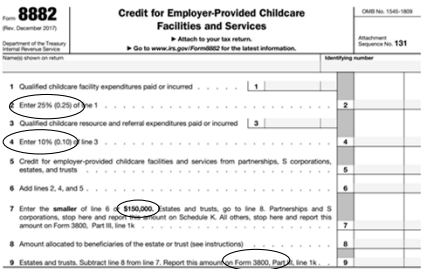
**Issue #4 - Employer Provided Child Care credit** 248



Up to 150,000  
business tax credit!!



Child Care facility



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**Qualified Child Care Expenditures** 248


**1. Facility**

Acquire, construct, rehabilitate or expand



Subject to depreciation (not personal residence of taxpayer or employee)

- Follow local laws - licenses
- Principal use to provide child care assistance
- Enrollment open to employees (30% dependents of employees)
- Not discriminate in favor of highly compensated employees
- Can be in residence of person operating the facility



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248

NOT IN BOOK

If, as of the close of any taxable year, there is a recapture event with respect to any qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

(A) the applicable recapture percentage, and

If the recapture event occurs in:	The applicable recapture percentage is:
Years 1-3	100
Year 4	85
Year 5	70
Year 6	55
Year 7	40
Year 8	25
Years 9 and 10	10
Years 11 and thereafter	0.

Any recapture tax is reported on the line of your tax return where other recapture taxes are reported (or, if no such line, on the "total tax" line). The recapture tax may not be used in figuring the amount of any credit or in figuring the alternative minimum tax.

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**Qualified Child Care Expenditures** 248 + 249

**2. Operating costs**  
Includes costs related to training and scholarships  
Contract to provide facility for child care services

**3. Resource & Referral**  
Contract to provide child care resources and referral services



10%

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**How to claim credit**

**Form 3882** Credit for Employer-Provided Childcare Facilities and Services

**Form 3800** General Business Credit

From K-1s

Take Note

Credit reduces depreciable basis or deductions

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**Issue #5 – Employer provided meals and entertainment** 250

Meals taxable to employee

General Rule – yes  
2 exceptions

1. De minimis IRC 132
2. For convenience of employer IRC 119

Meals deductible by employer

General Rule – no deduction

Unless:

To be discussed.....

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**Issue #5 – Employer provided meals and entertainment** 250

1. Meals


- IRC 274(k) - No deduction

unless:

2. Reg 1.274-12(a)
  - Not lavish or extravagant
  - Taxpayer or employee is present (including travel)
  - Provided to the taxpayer or a business associate

3. THEN 274(n): 

4. THEN 274(e): 6 exceptions



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**Employer provided meals and entertainment** 250

For this purpose, *food or beverage* means – all food or beverage items regardless if considered meals, snacks, etc.. Includes delivery fees, tips, sales tax.

Even if the food or beverage is considered a de minimis fringe benefit under IRC 132.

Business Associate – reasonable expect to engage or deal with: customer, client, supplier, employee, agent, partner or advisor. Whether established or prospective.

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**Example 7-19** 250

Art Gallery

Owner

Manager - employee

Lunch to discuss annual performance review ?

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**Example 7-19** 250

Art Gallery

Owner

Manager - employee

Lunch to discuss annual performance review

50% deduction

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**Employer provided meals** 250

-50%

But  
6 big exceptions!!!

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**Exceptions to the limitations** 251

W-2  
1099

expense →

← reimbursement

**Reimbursed expenses**

**Employee recreation**

Sold to general public

Available to the general public

NOTE: A lot more detail in the 2020 Workbook!

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**Meals furnished on employer's premises** 251

**IRC 119**

- Meals provided on employer's premises
- Convenience of employer

<u>2025 and before</u>	<u>2026 and after</u>
<ol style="list-style-type: none"> <li>1. <b>50%</b> employer deduction</li> <li>2. <b>Excluded</b> from employee's income</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>No</b> employer deduction</li> <li>2. <b>Excluded</b> from employee's income</li> </ol>

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**Limits on Entertainment Deduction** 251

- No deduction for entertainment, amusement or recreation!!
- What is "entertainment"?
  - "any activity that is generally considered to constitute entertainment, amusement or recreation"

bars

theatres

Hunting/fishing trips

golf

Country clubs

Athletic clubs

Sporting events

} Even if related to active conduct of a business

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**Exceptions to the limitations** 251


 **W-2 1099**


 **Employee recreation**


 **Sold to general public**

expense → **Reimbursed expenses**

← reimbursement

 Available to the general public

 Provided to employees on business premises

 Business meeting (not in meals exceptions)

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**Food /Beverage at Entertainment Activity** 251

Purchased separately

OR

Stated separately on invoice

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Entertainment Activity

Food or beverage

Can't just allocate

If not, no deduction

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**Recreational Expenses for employees** 252

Holiday Parties	Picnic	Summer outing	Other similar event
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Food/Beverage (50% allowed?)    Entertainment (0% allowed?)  
**No Limitation. Both fully deductible**  
 (As long as it does not discriminate in favor of highly compensated)

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**Example 7.20** 252



Ambient Electric hosted a Holiday Party for **all employees**




100%

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**Example 7.21** 252

Employee  
birthday

Olivia  
Manager

Invited to dinner

Ordered cake

Client

50% deduction. Business meal vs primarily for employee's benefit. Employee recreational exception does not apply.

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**Example 7.22** 252

Sandwich shop

Free Coffee snacks

For employees. Not recreational or social.

50%

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**Expenses treated as compensation** 253

Meals provided to employees that do not meet the de minimis fringe benefit exception must be included in employee's income

100% Deductible

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**Expenses treated as compensation – ex 7.23** 253

Builder provides food and beverages to employees without charge at job site.

Includes amount in their W-2s

Uses Reg 1.61-21 to figure amount

100% Deductible

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<p><b>Issue #7 Commercial Clean Vehicles</b> <span style="float: right;">261</span></p> <p style="text-align: center;">EV vehicle credits</p> <p><b>IRC 30D</b> – new clean vehicle credit</p> <ul style="list-style-type: none"> <li>&gt; Can be &lt;100% business use</li> <li>&gt; MSRP limits</li> <li>&gt; MAGI limits</li> </ul> <p><b>IRC 25E</b> - previously owned clean vehicle credit</p> <ul style="list-style-type: none"> <li>&gt; Smaller credit</li> </ul> <p style="border: 1px solid black; display: inline-block; padding: 2px;">Chapter 10 – Page 385</p>	<p><b>IRC 45W</b> – Commercial Clean Vehicle Credit</p> <p>(must be 100% business use and new)</p>
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<p><b>Commercial Clean Vehicles</b> <span style="float: right;">261</span></p> <p>Why can't I just transfer the credit to the dealership when I buy the vehicle?</p> <p><b>Q3. What are the requirements a buyer must meet to be eligible to transfer the New Clean Vehicle Credit or Previously Owned Clean Vehicle Credit to a registered dealer? (updated July 26, 2024)</b></p> <p><small>A3. A buyer must be an individual and meet all eligibility requirements for the New Clean Vehicle Credit or Previously Owned Clean Vehicle Credit, as applicable. See Topic A, Topic B, Topic D, and Topic E. An individual does not include individuals.</small></p> <p><b>Q17. Can I transfer a credit if I will use the vehicle for both personal and business use? (added Oct. 6, 2023)</b></p> <p><small>A17. You can transfer the New Clean Vehicle Credit only if you intend to use the vehicle predominantly for personal use.</small></p>	
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**Qualified Commercial Clean Vehicles** 261

- Qualified manufacturer
- Acquired for use in trade or business, not sale
- Use on public roads, not rails. Or mobile machinery
- Propelled to a significant extent by an electric motor that can be recharged by external source of electricity
- For use primarily in the U.S.
- No 30D new clean vehicle credit claimed




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**Qualified Commercial Clean Vehicles** 262

- Per vehicle - lesser of:
  1. 15% of vehicles basis (30% if no internal combustion engine) - pretty easy
  2. Incremental cost of the vehicle - What?



Maximum 7,500 < 14,000 pounds  
 40,000 > 14,000 pounds

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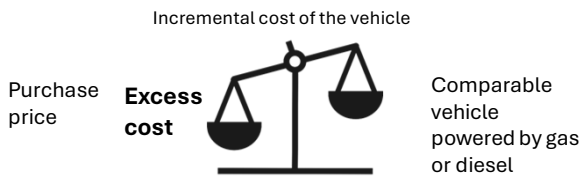
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**Qualified Commercial Clean Vehicle Credit** 262



Seems like that would be hard to determine!

**BUT**  Safe harbor

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*Incremental cost for tax year 2024* 262

**Notice 2024-5**  
 The guidance informs taxpayers that the Department of the Treasury and the Internal Revenue Service have reviewed the incremental cost for all street vehicles in calendar year 2024. The analysis shows that the incremental cost of all street vehicles that have a gross vehicle weight rating **of less than 14,000 pounds will be greater than \$7,500 in calendar year 2024.**

Accordingly, the incremental cost will not limit the available credit amount for street vehicles that have a gross vehicle weight rating of less than 14,000 pounds and are placed in service in calendar year 2024

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How big is a commercial vehicle that weighs over 14,000 pounds to get the credit up to 40,000?

**Very Big!**

EXAMPLES OF VEHICLES OVER 14,000 POUNDS GVWR

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*Claiming the credit* 262

<p>IRC 45W</p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Commercial Vehicle</div> <p>8936 Schedule A part I              8936 Schedule A part V              Form 8936 part V              Form 3800              1040, Schedule 3 – line 6a</p>	<p>IRC 30D</p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;">Part Personal Part Business</div> <table border="0" style="width: 100%; margin-top: 10px;"> <tr> <td style="width: 50%; text-align: center;"> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Business portion</div> <p>8936 Schedule A part II                  Form 8936 part II line 6                  Form 3800                  1040, Schedule 3 – line 6a</p> </td> <td style="width: 50%; text-align: center;"> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Personal portion</div> <p>8936 Schedule A part III                  Form 8936 part II line 9                  1040, Schedule 3 – line 6f</p> </td> </tr> </table>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Business portion</div> <p>8936 Schedule A part II                  Form 8936 part II line 6                  Form 3800                  1040, Schedule 3 – line 6a</p>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Personal portion</div> <p>8936 Schedule A part III                  Form 8936 part II line 9                  1040, Schedule 3 – line 6f</p>
<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Business portion</div> <p>8936 Schedule A part II                  Form 8936 part II line 6                  Form 3800                  1040, Schedule 3 – line 6a</p>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Personal portion</div> <p>8936 Schedule A part III                  Form 8936 part II line 9                  1040, Schedule 3 – line 6f</p>		

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33








**Example 7.27** 262 - 263

Steve Tarrant  
Schedule C

47,000

100% business



Because it's 100% business, report as  
Qualified Commercial Clean Vehicle

Page 263

Form 8936 - Schedule A Part V  
Form 8936 - Part V  
Form 3800 - Part III, line 1aa } 7,500

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**ANY QUESTIONS?**

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